



BILLING CODE 3510-DR-P

## DEPARTMENT OF COMMERCE

International Trade Administration

Automotive Trade Mission to Bogota, Colombia and Lima, Peru, April 26 - 30, 2015

**AGENCY:** International Trade Administration, Department of Commerce.

**ACTION:** Notice.

### MISSION DESCRIPTION

The Commerce Department's International Trade Administration (ITA) and the U.S. Commercial Service (USCS) posts in Bogota, Colombia and Lima, Peru will organize a Business Development Mission April 26-30, 2015.

The Business Development Mission supports the federal government's Look South Initiative, which encourages U.S. companies to explore opportunities in the United States' eleven Free Trade Agreement Partner (FTA) countries in Latin America. Automotive parts and services are in high demand in these high-growth and market-liberalizing countries. Export.gov/LookSouth includes "Best Prospect" market snapshots on automotive parts and services across eight FTA countries.

The Business Development Mission will include representatives from a variety of U.S. automotive manufacturing companies, service providers and associations/organizations. These mission participants will be introduced to international agents, distributors and end-users whose capabilities are targeted to each U.S. participants' needs in that particular market. Mission participants will also meet

with key local industry contacts that can advise on local market conditions and opportunities. In addition to the above-mentioned services, the U.S. Commercial Service industry specialists will be on hand to discuss market trends and opportunities in Colombia and Peru.

## **COMMERCIAL SETTING**

The Republic of Colombia is the third largest economy in Latin America and has the third largest population with approximately 46 million inhabitants. Aided by major security improvements, steady economic growth, and moderate inflation, Colombia has become a free market economy with major commercial and investment ties to the United States, Europe, Asia and the rest of Latin America. Since the implementation of the U.S.-Colombia Free Trade Agreement (FTA) on May 15, 2012, U.S. exports to Colombia have increased over twenty percent. The past ten years have brought extraordinary change to the country in terms of economic development due to improvements in the national safety and security situation. Strong political stability, a growing middle class (35.3 percent of the population), and improved security have created an economic boom in Colombia that, coupled with the government's conservative fiscal policies, lessened the impact of the global economic crisis. Key economic indicators demonstrating the positive long-term effect of Colombia's political and economic policies include: GDP growth of 4.3 percent in 2013; and foreign direct investment of US\$ 16.8 billion in 2013, a record for Colombia, which is an increase over the previous record of US\$ 15.3 billion in 2012. These are all signs of a strong and growing economy.

Due to Colombia's close ties to the United States and Colombians' appreciation for the quality and reliability of U.S. products, consumers in Colombia often favor U.S. products and services over those of our foreign competitors. Colombia is a major player in the regional automotive market. At the

beginning of 2013 there were 9.3 million vehicle units in the country, according to data from the Ministry of Transportation. According to research conducted by the multinational banking group BBVA in 2013, Colombia's vehicle stock will increase by 3.5 million between 2010 and 2020. The same study establishes that the automotive sector contributes to 4 percent of the country's GDP and employs about 3.2 percent of the country's population. Colombia currently ranks as the third largest automobile manufacturer in Latin America. In addition, after Brazil, Colombia is the second largest motorcycle producer in the region, with an annual output of 515,000 motorcycles. A number of international auto manufacturers currently produce vehicles in Colombia. 68 brands and 267 models are found in the market. The high import percentage represents good opportunities for all imported parts and accessories, especially those from the United States, which are very well known and regarded nationwide. The average lifespan of a vehicle in Colombia is fifteen years. Due to this, there are significant opportunities for replacement parts. In addition, with the implementation of the FTA, tariffs for most auto parts made in the United States have been reduced from thirteen to zero percent.

Peru continues to be one of the fastest growing Latin American economies in the past eleven years, while keeping low inflation, as the International Monetary Fund noted in January 2014. The steady economic growth began with the pro-market policies enacted by President Fujimori in the 1990s. All subsequent governments have continued these policies, including the current administration inaugurated in July 2011 for a five-year term.

Although growth slowed down in the last three years, the Peruvian economy has grown at an average of 6.3% per year since 2002, reaching a \$207 billion GDP in 2013. The trend is expected to continue with a projected GDP growth of 5.2% in 2014 and 5.7% to 6.0% in 2015. Private investment and consumption are anticipated to be the main driving forces of this growth. Projections for 2014 are that

gross fixed investment growth will exceed 7% in real terms to reach US\$55.3 billion. Public investment is increasingly important as in 2013 it was \$11.6 billion (5.3% of GDP), while in 2001 it was \$1.7 billion (3.1% of GDP). The Ministry of Economy and Finance (MEF) foresees that public investment will increase 17% in dollar terms to US\$13.4 billion. As the economy has grown, poverty in Peru has steadily decreased, to 23.9% in 2013. In its November 2012 Peru Handbook, HSBC states that Peru is “the third-fastest growing consumer market globally, and set to be a bigger economy than Chile, Colombia, or even South Africa in the long term”.

The Peruvian Government has encouraged integration with the global economy by signing a number of free trade agreements, including the United States-Peru Trade Promotion Agreement (PTPA), which entered into force in 2009. The strong economic growth in Peru has increased consumer buying power in the country and, as a result, the demand for automobiles. The establishment of free trade agreements and reduction on tariffs increased the automobile industry demand, which also boosted the demand for more auto parts.

The auto parts industry grew 4.5 percent from 2012 to 2013 – a total of over US\$1.5 billion – with tires being the main import item for both light and heavy vehicles, followed by the segments for lubricants, engine parts, filters, transmission systems and body parts. The United States is a major exporter of auto parts to Peru, though increasing exports from Asian countries, particularly China, provide for a high level of competition. U.S. products are widely accepted and understood to be of high quality. Marketing strategies should emphasize product’s quality and valuable post-sale service provisions. Furthermore, formal and personal connections should be formed with potential partners in Peru to foster trust in the agreement. Peru's automobile market has ample space to grow, as the number of cars

is small compared with other countries in the region with similar income levels. Furthermore, the higher average age of vehicles creates a context which is envisioned to encourage vehicle renewal.

Companies that intend to export Aftermarket Parts & Accessories; Chemicals and Lubricants; Parts and Components; Mobile Electronics and Components; Tools and Testing Equipment; and Services Consulting possess great potential for success. Other companies will be considered as well based on their market potential in both countries.

## **MISSION GOALS**

The goal of the Automotive Trade Mission is to facilitate an effective presence for small and medium sized companies to export to companies in Colombia and Peru. The mission will enable U.S. companies and associations/organizations to familiarize themselves with these important markets, to conduct market research, and to explore export opportunities through pre-arranged meetings with potential partners. The companies and associations/organizations will be able to network with government and industry professionals, providing them with an enhanced image and level of engagement. Knowledgeable Commercial Service Specialists who are familiar with the firms' objectives will support the mission participants.

## **PROPOSED TIMETABLE**

Day of Week	Date	Activity
Sunday	April 26, Bogota, Colombia	Arrive in Bogota, Colombia

Monday	April 27, Bogota, Colombia	Business Breakfast Briefing One-on-One Business Meetings Luncheon Evening Welcome Reception
Tuesday	April 28, Bogota, Colombia	One-on-One Business Meetings or Follow-up meetings or site visits Travel to and arrival in Lima, Peru
Wednesday	April 29, Lima, Peru	Business Breakfast Briefing One-on-One Business Meetings Luncheon Evening Welcome Reception
Thursday	April 30, Lima, Peru	One-on-One Business Meetings Follow-up meetings or site visits
Thursday/Friday	April 30/May 1, Lima, Peru	Check out hotel Return to the United States

## **PARTICIPATION REQUIREMENTS**

All persons and associations/organizations interested in participating in the Automotive Trade Mission to Colombia and Peru must complete and submit an application package for consideration by the

Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. Target recruitment for the Trade Mission is minimum 12 and maximum 20 companies. After an applicant has been selected to participate in the mission, a payment to the Department of Commerce in the form of a participation fee is required. Upon notification of acceptance to participate, those selected have 5 business days to submit payment or the acceptance may be revoked.

### **Fees and Expenses**

SME Participation Fee	\$3,124
Large Company Participation Fee	\$4,477
Participation fee for third company representative	\$500

### **Conditions for Participation:**

An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's products and/or services, primary market objectives, and goals for participation. If the U.S. Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.

A company's products or services must be either produced in the United States or, if not, marketed under the name of a U.S. firm and have at least 51% U.S. content of the value of the finished product/service.

**Criteria for Participant Selection** Each applicant to the program will be screened for the following:

- Relevance of the company's or association's/organization's business line to the mission's goals.
- Timeliness of company's or association's/organization's signed application.
- Timely and adequate provision of company and product/service information and literature, in order to enable communication of company's objectives and scheduling of business appointments.
- Provision of adequate information on company's or association's/organization's products and/or services, and primary market objectives, in order to facilitate appropriate matching with potential business partners.

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process.

Expenses for lodging, some meals, incidentals, and travel (except for transportation to and from airport) will be the responsibility of each mission participant.

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\* An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see

[http://www.sba.gov/services/contracting\\_opportunities/sizestandardsttopics/index.html](http://www.sba.gov/services/contracting_opportunities/sizestandardsttopics/index.html)). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing schedule reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (for additional information see <http://www.export.gov/newsletter/march2008/initiatives.html>).



## **TIMEFRAME FOR RECRUITMENT AND APPLICATIONS**

Recruitment for the mission is to begin immediately and conclude no later than March 1, 2015. The U.S. Department of Commerce will review all applications immediately after the deadline. We will inform applicants of selection decisions as soon as possible after March 1, 2015. Applications received after that date will be considered only if space and scheduling constraints permit.

ITA Trade Specialists will promote the Trade Mission. This promotion will take place nation-wide and will largely be handled by the Global Automotive Team. Those interested in the mission will apply to the program, and once accepted will work with the mission leader(s) to develop their business goals in Colombia and Peru. If the participation fee is not paid within the designated timeframe, the offer to participate on the mission may be withdrawn.

U.S. Export Assistance Center trade specialists and particularly members of the Global Automotive Team will recruit and counsel prospective participants for the trade mission. Company information and literature will be forwarded by the companies to CS Bogota and CS Lima. The two offices will then begin the partner search, and will provide management and logistical coordination of the program.

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register, posting on the Commerce Department trade missions calendar - <http://www.ita.doc.gov/doctm/tmcal.html> - and other Internet websites, publication in domestic trade publications and association newsletters, mailings from internal mailing lists, emails to internal database of clients, email to sector distribution lists, through posting in the Federal Register, and at

industry meetings, symposia, conferences, trade shows, etc. The Trade Mission will also be promoted by USCS and by team members of the Global Automotive Team.

## **CONTACTS**

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